GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4372
ANSWERED ON:19.04.2002
NET BASED EQUITY TRADING
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Will the Minister of FINANCE be pleased to state:

(a) whether even after two years of its launching, the net based equity trading contributes only two per cent of the total turnover of the country`s bourses;

(b) if so, the reasons for low net based trading;

(c) whether the Government proposed to increase the net based business to 25 to 30 per cent and brokage house invested in the technology; and

(d) if so, the steps taken or being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): According to the data obtained from National Stock Exchangeof India Limited, currently the internet trading constitutes 1.87% to the total turnover of the capital market segment of NSE,in comparison to 0.05% at the time of inception. According to data from Mumbai Stock Exchange, the percentage of theinternet trading turnover to the total turnover is very low at over 0.01% between January, 2002 to March, 2002.

(b): According to information received from SEBI, the reasons for low net based trading are as under:-

(i) Low penetration of internet/PCs in the country;

(ii): Poor, unstable connectivity and bandwidth problems;

(iii): Internet trading, as a concept started in late 2000, with the major financial institutions/broking houses that had the service capability and investor pool contributing to the initial turnover. However, on account of the cost of the setting and maintaining such systems, mid size and small broking houses have not seen this as a viable alternative;

(iv): General lack of awareness among investors of a trading facility through internet;

(v): The market conditions in 2001-2002 forced many brokers to stay away from internet based market.

(c) and (d): SEBI permitted internet based trading to theorder routing systems to the stock exchange trading systems vide their circular dated January 31, 2000. Vide SEBI`s circular dated October 11, 2000, the brokers wereallowed to offer securities through wireless medium on Wireless Application Protocol Platform subject to certain minimum requirements specified in the circular.